

Session 12-05 A Special Meeting of the Water and Sewer Rate Task Force was called to order at 5:15 pm on July 24, 2012 by Chair Beth Wythe at City Hall Cowles Council Chambers located at 491 E. Pioneer Avenue, Homer, Alaska.

PRESENT: LLOYD MOORE, KEN CASTNER, SHARON MINSCH, BETH WYTHE
BARBARA HOWARD AND BOB HOWARD

STAFF: RENEE KRAUSE, CMC, DEPUTY CITY CLERK I
LAURIE MOORE, ACCOUNTING SUPERVISOR

APPROVAL OF THE AGENDA

HOWARD/HOWARD – MOVED TO APPROVE AS PRESENTED.

There was no discussion.

The agenda was approved by consensus of the Task Force.

PUBLIC COMMENT REGARDING ITEMS ON THE AGENDA *(3 Minute Time Limit)*

There were no public comments on the agenda.

RECONSIDERATION

There were no items for reconsideration.

APPROVAL OF MINUTES *(Minutes are approved during Regular Meetings only)*

There were no minutes for approval.

VISITORS

There were no visitors scheduled.

STAFF & COUNCIL REPORT/COMMITTEE REPORTS/BOROUGH REPORTS

(Chair set time limit not to exceed 5 minutes)

There were no reports submitted.

PUBLIC HEARING *(3 minute time limit)*

There were no items for public hearing.

PENDING BUSINESS

A. Projected Revenue and Amount of Revenue to Date for Resolution 11-094(S) Rates

Chair Wythe introduced the first item for discussion.

It was noted that Segregation would take quite a bit of time. The Task Force reviewed the additional information that was provided after the packet was produced.

Chair Wythe deferred to Ms. Moore regarding some additional information provided by the Finance Department. It was noted that they were at approximately 50% of the budget which was based on the numbers.

Some implications are that they are coming in lower.

The sales are generally larger in the summer months.

The rate increase did not go into effect until February of this year.

Ms. Moore responded to questions from the Task Force on the Revenue and Expenditures for the Water and Sewer Special Revenue Accounts.

There was a brief discussion on needing the gallons to determine the budget required. It was noted that the number of gallons is needed to get the total allocation of costs. It is used but on the off years not during the budget cycle. The water and sewer is reviewed in off years and was only addressed mid-year because numbers were off. The total gallons expected to sell is needed. It was noted that information was provided in the handouts received.

A brief discussion on the recommendation to council focusing on the requirements of the system not political influences ensued.

There was no further discussion on this item.

B. City of Homer Water and Sewer Systems

- What is the amount of water produced versus the amount sold?
- How much was produced to meet the budgetary requirements?
- What are the additional areas that cost more to provide service?
- What is the recommended maintenance reserve that should be maintained for the systems?
- What rate adjustment is required to accomplish this in the next 10 years?

There was a brief discussion on the answers provided by Ms. Murras and Mr. Meyer regarding depreciation reserves required, how the value of the fixed assets is arrived was answered by Ms. Moore. She responded that this is split 50-50 in response to a question by Mr. Castner. She could provide a break down at the next meeting of the fixed assets.

Chair Wythe commented that since 2006 the Council has been working diligently to bring up the depreciation reserves on all things.

Mr. Castner requested how much of the system is HDPE and how much is cast for future replacement or repair costs. He noted that so much of the system is brittle to the touch and needs replacement.

Chair Wythe noted the presumption of putting away \$200000 each year to the dismay of the Auditors.

There was a quick review of the depreciation reserves and explanation by Chair Wythe. There were no questions for Ms. Moore. The 40% recommendation was by Council.

C. 2000 Rate Model Projection to 2012

Chair Wythe noted the memorandum in the packet and asked if Ms. Moore could review the provided information for the group.

Ms. Moore proceeded to summarize the information with the 2012 rates and what the costs would be compared to the old rate model at each level of usage and meter. It was noted that the monthly costs for the lower usage commercial or residential was the same in the old rate model until you reached the higher level of usage in Commercial and Multi-family; the increase under the current rates between each of the classes until the higher usage in Multi Family and Commercial. She further noted that the information is in the packet for all the customers broken down by meter sizes. It was noted that there is 6" to a building but the meter size is smaller. The effects of this will be addressed under Fire protection.

NEW BUSINESS

A. Discussion - How Does Fire Protection Affect the City Water System?

Chair Wythe commented that having a more in depth conversation about this subject can be postponed to later date since Mr. Meyer is not in attendance to answer questions.

B. Discussion – Water and Sewer Service on the Homer Spit

1. What is the cost to bring water in and sewage off the Spit?
2. When was the surcharge removed from Spit water service?
3. How many lift stations for water & sewage are located on the Spit? How many are required?
4. Does the cost differential to provide service on the Spit require a separate fee?
5. Flush Tank – What is this and Why Is it needed? What is Effect on the System?

Chair Wythe noted that Mr. Meyer provided a map locating all the lift stations. Mr. Moore commented on the jobs of the Kachemak City and Kachemak Drive lift stations.

It was questioned if the agreement can be changed. The Task Force requested a copy of the Sewer Agreement between City of Homer and Kachemak City. Ms. Moore will provide a copy.

Ms. Howard pointed out that Mr. Meyer stated it would take a 20% increase in rates to meet the reserve required for maintenance. Chair Wythe commented that they should keep the figure in mind when they start to perform the comparisons.

A discussion ensued on the differences in the flows on the information provided by Mr. Meyer. Sales versus produced may be down and if those numbers are correct then they will not be close in their numbers in regards to the budget. This chart shows a substantial decrease which would show a shortage in the budget, points made of the new water treatment plant coming online and increased efficiencies.

What can be attributed to explain the drop in production? Sales Reductions or efficiencies? It was stated that the total sales in gallons is necessary at this point.

Ms. Moore provided the total gallons metered from 2006 through June 2012. It was noted that the chart showed a combined usage for all classifications.

Discussion continued on the differences between metered and billed; why the meters could not be read within a day consistently; example provided was meters being read on the first Tuesday of each month. The amount billed reflects and differences or adjustments and seasonal meters; it was also noted if there was a dry month versus a wet month. Mr. Moore expounded on this information from his experiences.

The group then discussed the information provided and why the price was changed on the rates charged for customers on the Spit. The surcharge was dropped in 2005. You would have to go back to the Budget cycle in 2005 to determine why it was removed. It is easy to say it was political not a financial decision.

C. Discussion – City of Homer Sewer System

1. What is the impact to the system from restaurants?

There was no discussion on the information provided.

INFORMATIONAL MATERIALS

- A. It Seems At First Glance Such a Waste – Flushing
- B. Sewage Collection Map
- C. Water Distribution Map

Chair Wythe briefly described the informational materials and comments by Mr. Slone.

COMMENTS OF THE AUDIENCE

There was no audience present.

COMMENTS OF THE CITY STAFF

Ms. Krause stated that the meeting on September 18, 2012 is conflicting with the Kenai Peninsula Borough Assembly meeting on the same date which the two members recommended an alternate date be set or the meeting canceled.

Discussion proceeded on the August meetings being scheduled for August 7th and 21st, the September meetings were currently September 4th and 18th. There will not be a quorum for the September 4th meeting. Further discussion occurred and it was determined to set only one meeting for September that being the 11th at 5:15 p.m.

HOWARD/CASTNER - MOVED TO AMEND THE SEPTEMBER MEETING SCHEDULE TO HAVE ONLY ONE MEETING IN SEPTEMBER AND THAT DAY SHOULD BE SEPTEMBER 11, 2012.

There was a brief discussion.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

The Clerk will confirm on the calendar and Chair Wythe advised the Task Force to be prepared for a bit longer meeting since they will only have one for the month.

Mr. Castner requested a laptop and projector for the August 7, 2012 meeting.

Ms. Minsch inquired about the updated outline on the meeting schedules and topics.

Chair Wythe requested the updated Gantt chart to be included in the packet. This will be updated with the one meeting in September. She further elaborated that this will assist the group in showing where they are at; needing to determine the criteria important in determining the rates and incorporating those into the models.

Vice Chair Howard stated that educate us on rate setting to some degree.

Mr. Howard recommended that the group read M54. He has read the document and believes that it is an excellent guidance document in terms of getting them all on the same page for setting rates and is based on rate setting for small communities. This is a small document. The Finance Director has a copy. He felt it contained information germane to what they were doing. This focused only on water not sewer.

A brief discussion on documents that Ms. Mauras has regarding rate setting and the course that she took regarding small community rate setting and if she would be willing to walk them through rate setting.

HOWARD/MOORE - MOVED THAT THE TASK FORCE REVIEW AND BE PREPARED TO DISCUSS THE CONTENT OF M54 AS WRITTEN BY THE AWAA FOR THE MEETING ON AUGUST 7, 2012.

There was a brief discussion on whether it will be available in audio or electronic format; committed to following the suggested in the document; that it is for reference only; if there are other documents like this if this one is more special than the others received; this document contains information that they can utilize and is more pertinent to the situation they face; the other documents provided information and situations not applicable to their situation; the M54 document describes how to actually develop a matrix to develop a rate that you may want to set up and is more of a cook book approach to developing rates.

VOTE. YES. NON-OBJECTION. UNANIMOUS CONSENT.

Motion carried.

Chair Wythe asked if the document could be provided to the Task Force in the next couple of days it would be good. She noted if there were other documents or information that the members felt would assist the development of a rate please forward these to the Clerk so she can provide them to the whole Task Force. She elaborated on her reasons for the documents she recommended the group reviewed and encouraged the members review the previous documents provided previously. She reminded the Task Force the every meeting moving forward will be starting to build the foundation for the report that they will forward to the Council and give the basis for why they made those decisions.

Mr. Castner commented that they will take and come up with a cost allocation model or cost recovery model and some point along the way he felt that it was incumbent upon them to challenge the costs and he's willing to build the model but he wants to stop and test what the numbers mean and are they reasonable numbers.

Chair Wythe believes it would be better to focus on specifics and there will be time to spend on discussions for certain tasks. She noted that they received a lot of information tonight. She will definitely be spending some time on this information; identifying conflicts. She provided the example of identifying a 20% line loss then you build that into the system. Explore how this can be not so much and bring the rate down as they go through the plan.

A brief discussion on conservation and aspects thereof to rate setting; what is the right base charge and covering the core costs and the commodity rate covers usage; the variable is the minor effects in regards to costs. Most of the discussions have been on the water but the sewer is mostly unknown. It was noted that treatment could be substantially more and maybe they should look at the sewer aspect of the system. Storm water infiltration was commented on by Mr. Moore. It was noted that this cost may have to be built into the rating for sewer service. Sewer rates are based on water used. Council will appreciate information that this Task Force did consider and discuss the sewer rates. The BOD impact is not considered on the sewer rates everybody is the same. This will be on the agenda.

COMMENTS OF THE CHAIR

Chair Wythe thanked the Task

COMMENTS OF THE TASK FORCE

Mrs. Howard thanked Staff again for providing the lengthy list of information requested at the last meeting. She thanked Laurie for providing the information asked for tonight and once more thanked the Clerk's office for their service.

Mrs. Minsch, Mr. Howard, and Mr. Moore had no comments.

Mr. Castner commented that he just finished a report on the gas line and having reviewed dozens of rates from the United States and the world and has become more and more solidified in what constitutes a proper service and the size of that and he wants this rate so he can look everyone in the eye and not flinch and he is having trouble with portions of the rate that appears to be arbitrary cause somebody is in a building with commercial activity; he has a hard time rationalizing the substantially higher rate imposed on a business that produces or uses no more than a regular household. He wants to consider that when they do these things, clearly set out what the rationalization is and state why they want to charge the rates they do whether it is the number of lift stations or the maintenance is higher; that they must include in the matrixes the rationalizations of costs.

Chair Wythe stated that the next meeting will focus on reviewing options for rate structures.

ADJOURN

There being no further business before the Water and Sewer Rate Task Force Chair Wythe adjourned the meeting at 6:55 p.m. **A WORKSESSION** is scheduled for **TUESDAY, AUGUST 7, 2012 AT 5:15 p.m.** The next **REGULAR MEETING is AUGUST 21, 2012** at 5:15 P.M. in the **UPSTAIRS CONFERENCE ROOM** at City Hall, 491 E. Pioneer Avenue, Homer, Alaska.

Renee Krause, CMC, Deputy City Clerk I

Approved: _____